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OCT 30 2013

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UNITED STATES OF AMERICA

FEDERAL COMMUNICATIONS COMMISSION

CG DOCKET NO. 06-181

CGB-CC-1293

**RESPONSE OF ST. PAUL UNITED METHODIST CHURCH
TO REQUEST FOR SUPPLEMENTAL INFORMATION**

St. Paul United Methodist Church, Abilene, Texas, ("St. Paul") hereby provides its response to the request of the Consumer & Governmental Affairs Bureau ("Bureau") of the Federal Communications Commission ("FCC") for supplemental information with respect to St. Paul's Petition for a determination by the Commission that St. Paul's television programming is exempt from the Commission's rules for closed captioning at 47 C.F.R. § 79.1 (f) promulgated under § 713 of the Communications Act, 47 U.S.C. § 613 the "Act") as economically burdensome, or is exempt under the self-implementing exemptions provided in those rules.

The persons authorized to receive notices and other pleadings in this proceeding are:

Michael R. Waller, Esq.

18 Saint Andrews Street

Abilene, Texas 79606

Telephone-(325)691-5671

E-mail: mr-abwaller@sbcglobal.net

Rev. Felicia Hopkins

Senior Pastor

St. Paul United Methodist Church

525 Beech Street

Abilene, Texas 79604

Telephone (325) 672-7814

Email: fhopkins@stpaulabilene.org

• **NAME OF THE PROGRAMMING FOR WHICH AN EXEMPTION IS REQUESTED:** The programming is listed by KTXS Channel 12 as simply "St. Paul United Methodist Church." The programming consists of live telecasts by KTXS Channel 12 of the weekly Sunday morning worship service conducted at St. Paul's church sanctuary and a live telecast of St. Paul's Christmas Eve worship service, also conducted at St. Paul's church sanctuary. These live telecasts are broadcast by KTXS, an ABC affiliate, only in the Abilene local area and in the surrounding areas in which KTXS's telecasts can be received.

• **THE NATURE AND COST OF CLOSED CAPTIONS FOR THE PROGRAMMING:** The cost of the broadcast service provided to St. Paul by KTXS is \$650.00 for each worship service telecast without closed captions. The worship services are currently broadcast without closed captions because neither St. Paul nor KTXS has the necessary equipment to provide closed captions for the St. Paul live telecasts. At the time St. Paul filed its Petition herein KTXS had demanded that St. Paul's telecasts be closed captioned and had offered to make available that service for a \$150.00 charge for each weekly broadcast.

○ KTXS has recently submitted to St. Paul a quote (attached as Exhibit A) for the purchase of encoding equipment at \$7245.50 uninstalled, and alternatively to make available closed captioning service provided by the National Closed Captioning Institute ("NCI") at \$120.00 per hour. An earlier quote to St. Paul from Norris Audio-Video (attached as Exhibit B) for the sale and installation of encoder equipment by that supplier at \$15,565.00; St. Paul believes that that quote is currently indicative of the cost of encoder equipment sold and installed that supplier. KTXS does not have staff operators trained and capable of operating such equipment, and KTXS has advised St. Paul that successful operation of encoder equipment by St. Paul's volunteers in a non-news live format like St. Paul's Sunday worship services would be problematic.

○ The estimated annual cost of closed captioning service provided by NCI is \$6360.00 calculated by multiplying the per hour charge times 52 weekly worship services and one Christmas Eve telecast.

○ If St. Paul purchased encoding equipment it would have to operate it with unpaid volunteers such as those who now operate its cameras, which as stated above would be problematic at best and probably unsuccessful.

● **ST. PAUL'S FINANCIAL RESOURCES:** St. Paul is a traditional church within the United Methodist Church. As such its income consists primarily of donations from its members, although it may receive funds from its governing conference for specific purposes, and as a non-profit entity it expends all of such income in support of its operations and its ministry and missionary programs. This is demonstrated by the copy of its 2013 budget provided as an attachment to its Petition herein.

○ Information about all of St. Paul's income and expenses.

● St. Paul's anticipated income and expenses for 2013 is shown on Exhibit A to its Petition. A statement reflecting St. Paul's actual income and expenses for the nine completed months of 2013 is attached as Exhibit C. St. Paul's receipts are all donations of cash or by check and all disbursements are made in cash or by check. St. Paul pays the cost of its television ministry primarily from its general revenues supplemented by donations specifically designated by the donors as support for that ministry. On an annual basis there is no surplus or deficit nor is there profit or loss from St. Paul's ministry and missionary programs; in the event of a shortfall between revenue and expense the shortfall is covered by short-term borrowing.

● Attached as Exhibit D are copies of St. Paul's audited financial statements for the calendar years 2010, 2011 and 2012.

○ Information about the current assets and current liabilities of St. Paul:

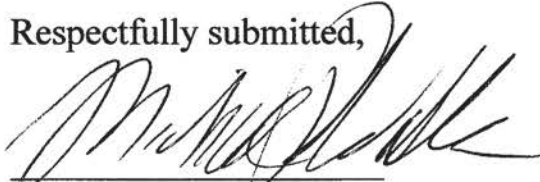
● In response to all inquiries about current assets and liabilities, see the attached copies of audited financial statements.

○ Video programming distributor assistance: As stated above under the nature and cost of closed captions, KTXS has recently informed St. Paul that it will make available to St. Paul closed captioning service provided by NCI on a cost pass through basis of \$120.00 per telecast.

- Additional sponsorships: St. Paul has not sought sponsorships for its weekly telecasts of its Sunday worship services, other than appeals for donations from its members in support of its television ministry. St. Paul believes that sponsorships of a commercial nature for its telecasts are (i) inappropriate because of the nature of those telecasts, and (ii) out of concern about potential infringements of its rights under the First Amendment to the United States Constitution.

Dated: October 29, 2013

Respectfully submitted,



Michael R. Waller

Attorney for St. Paul United Methodist Church

Texas Bar # 20783000



Felicia Hopkins
Senior Pastor

St. Paul United Methodist Church
Abilene, Texas

STATE OF TEXAS §

COUNTY OF TAYLOR §

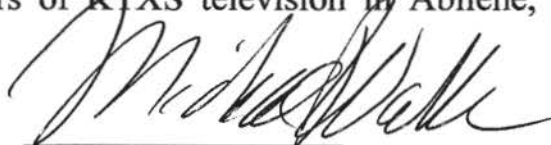
BEFORE ME, the undersigned Notary Public, on this 29th day of October, 2013, personally appeared Felicia Hopkins, who being first duly sworn on her oath stated that she is the Senior Pastor of St. Paul United Methodist Church in Abilene, Texas, and that the information stated in the above and foregoing Petition are true and correct based on her personal knowledge.



Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a true and complete counterpart of this document was deposited with Federal Express for next day delivery to the FCC and hand delivered to the station headquarters of KTXS television in Abilene, Texas on October 29, 2013.

A handwritten signature in black ink, appearing to read "Michael Waller", written over a horizontal line.

Michael R. Waller

EXHIBIT A



KTXS Television
4420 North Clack
Abilene, Tx. 79601

325-677-2281

dcaldwell@ktxs.com
Ktxsproduction.com

Estimate

Estimate No: 50
Date: Oct 23, 2013

For: St. Paul Methodist Church

Description	Quantity	Rate	Amount
Link Electroics HDE 3000 Hd closed Caption Encoder \$6,906 The HDE-3000 is a high definition encoder for professionals, also supports SDI standard definition. For today's use, the HDE-3000 will accomplish all requirements for 1080i, 1080p and 720p, and SDI. The HDE-3000 reads all known closed caption files formats and is able to translate EIA-608 captions to the new EIA-708 file formats as they emerge. The HDE-3000 meets the strictest requirements for broadcast use. The HD video formats covered are: 1080i 25 & /30; 1080p 25 & /30; 1080p /24; 720p /60. SDI standard definition for 525 and 625 are standard operational systems.	1	\$6,906.00	\$6,906.00
The Modem Option for PDP-886 from Link Electronics is an option designed specifically for use with the PDP-886 SD-SDI Video Closed-Caption Encoder/Decoder. This item allows you to add a dual modem with (2) RJ-11 ports to the PDP-886. This dual model option is designed specifically for use with the PDP-886 SD-SDI Video Closed-Caption Encoder/Decoder This option allows you to add a dual modem with (2) RJ-11 ports	1	\$219.50	\$219.50
NCI - National Closed Captioning Institute would charge \$120 per hour for special programming, (non-scheduled newcasts), prorated on the half-hour.	1	\$120.00	\$120.00

* Indicates non-taxable item

Subtotal	\$7,245.50
TAX (0.00%)	\$0.00
Total	\$7,245.50

EXHIBIT B



Date	Proposal #
4/9/2012	12212

Name / Address
St. Paul United Methodist Church Mr. Adam Samuels 525 Beech St Abilene, TX 79601

Ship To

Pricing is valid for 45 days from receipt. Please call 806-351-0280 for additional information.

Sales Tax (0.0%)	\$0.00
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Total **\$61,949.50**

Signature _____

EXHIBIT C

St. Paul United Methodist Church
Budget Account Summary Report
September 2013

	September Actual	September Budget	Year to Date Actual	Year to Date Needs	Annual Needs
Income					
4000 · Worship Giving	\$ 69,179.51	\$ 61,000.00	\$ 658,519.60	\$ 648,500.00	\$ 915,500.00
4030 · Shared Ministry - Apportionment	\$ 2,625.00	\$ 2,500.00	\$ 16,346.00	\$ 12,000.00	\$ 29,500.00
4070 · TV Ministry Income	\$ 730.00	\$ 750.00	\$ 4,020.00	\$ 6,750.00	\$ 9,000.00
4080 · Newspaper	\$ -	\$ -	\$ -	\$ -	\$ 1,500.00
4000 - Other Income					
4085 · Dinner Income	\$ -		\$ -		\$ -
4090 · Interest Earned Operating	\$ 0.31	\$ 0.80	\$ 2.97	\$ 8.00	\$ 10.60
4197- Transfer from Special	\$ 10,130.00	\$ 5,000.00	\$ 30,390.00	\$ 32,000.00	\$ 41,500.00
4200 · Prior Year Giving	\$ 5,000.00	\$ 5,000.00	\$ 29,988.80	\$ 27,154.40	\$ 27,154.40
Total Income	\$ 87,664.82	\$ 74,250.80	\$ 739,267.37	\$ 726,412.40	\$ 1,024,165.00
Expense					
5000 · Shared Ministries	\$ -	\$ 8,370.00	\$ 55,534.00	\$ 75,998.00	\$ 102,416.00
5200 · Children	\$ 336.82	\$ 325.00	\$ 5,344.14	\$ 3,025.00	\$ 4,000.00
5400 · Youth	\$ 204.95	\$ 443.32	\$ 3,789.20	\$ 5,170.04	\$ 6,500.00
5600 · University	\$ 169.69	\$ 50.00	\$ 434.74	\$ 450.00	\$ 600.00
5800 · Adult Education	\$ 536.02	\$ 245.00	\$ 1,039.11	\$ 2,265.00	\$ 3,000.00
6200 · Communication	\$ 4,966.42	\$ 2,975.00	\$ 33,115.83	\$ 28,075.00	\$ 37,000.00
6400 · Worship	\$ 1,314.54	\$ 590.00	\$ 7,799.98	\$ 5,310.00	\$ 7,000.00
6500 · Deploy	\$ -	\$ -	\$ -		\$ -
6600 · Music	\$ 1,593.66	\$ 975.00	\$ 12,156.73	\$ 9,015.00	\$ 12,000.00
6700 · Welcoming	\$ -	\$ 75.00	\$ 155.00	\$ 675.00	\$ 900.00
6801 · Kitchen	\$ 44.30	\$ 10.00	\$ 189.06	\$ 70.00	\$ 100.00
7000 · Administrative Expenses	\$ 62,119.53	\$ 57,687.32	\$ 511,113.22	\$ 517,587.92	\$ 690,649.88
7200 · Building, Grounds, & Vehicles	\$ 21,259.93	\$ 13,600.00	\$ 121,878.85	\$ 119,500.00	\$ 160,000.00
Total Expense	\$ 92,545.86	\$ 85,345.64	\$ 752,549.86	\$ 767,140.96	\$ 1,024,165.88
Carryover from Prior Years			\$ 4,017.55		
Net Income	\$ (4,881.04)	\$ (11,094.84)	\$ (9,264.94)	\$ (40,728.56)	\$ (0.88)

EXHIBIT D

St. Paul United Methodist Church
Abilene, Texas

AUDIT REPORT
December 31, 2011, and 2010

BORDEN DUFFEL PC
CERTIFIED PUBLIC ACCOUNTANTS
226 SO. LEGGETT
ABILENE, TEXAS 79605
June 20, 2012

INDEPENDENT AUDITOR'S REPORT

The Administrative Council and Finance Committee
St. Paul United Methodist Church
Abilene, Texas

We have audited the accompanying statement of assets, liabilities, and net assets - modified cash basis of St. Paul United Methodist Church, Abilene, Texas (a nonprofit organization), as of December 31, 2011, and 2010, and the related consolidated statements of support, revenue, expenses, and changes in net assets - modified cash basis and cash flows - modified cash basis, for the years then ended. These financial statements are the responsibility of the St. Paul United Methodist Church Abilene, Texas' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of St. Paul United Methodist Church, Abilene, Texas, as of December 31, 2011, and 2010, and its support, revenue, expenses, the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of St. Paul United Methodist Church, Abilene, Texas, taken as a whole. The accompanying consolidating information and schedules included in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements of St. Paul United Methodist Church, Abilene, Texas. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Borden Duffel PC
Borden Duffel PC

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Consolidating Statements of Support, Revenue, Expenses, and Changes in Net Assets - Modified Cash Basis	Schedule 2

St. Paul United Methodist Church
Abilene, Texas

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES
AND NET ASSETS - MODIFIED CASH BASIS

EXHIBIT A

December 31,

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 147,674	\$ 199,385
Investments	500,927	511,496
Property, plant and equipment	<u>4,683,408</u>	<u>4,683,408</u>
TOTAL ASSETS	<u>\$ 5,332,009</u>	<u>\$ 5,394,289</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES:</u>		
Accounts Payable	\$ 2,181	\$ 596
Short-Term Note Payable	<u>1,000</u>	<u>-0-</u>
Total Liabilities	<u>\$ 3,181</u>	<u>\$ 596</u>
<u>NET ASSETS:</u>		
Unrestricted	\$ 4,688,946	\$ 4,689,878
Temporarily Restricted	371,007	434,940
Permanently Restricted	<u>268,875</u>	<u>268,875</u>
Total Net Assets	<u>\$ 5,328,828</u>	<u>\$ 5,393,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,332,009</u>	<u>\$ 5,394,289</u>

The accompanying notes are an integral part of these financial statements.

St. Paul United Methodist Church
Abilene, Texas

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE, EXPENSES
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

December 31,

EXHIBIT B

Page 1

<u>UNRESTRICTED NET ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>CONTRIBUTIONS AND REVENUES:</u>		
<u>Contributions:</u>		
Pledges, envelopes and free offerings	\$ 926,211	\$ 935,481
Apportionments	26,056	41,178
Television Ministry and Other	8,007	9,479
Total Contributions	<u>\$ 960,274</u>	<u>\$ 986,138</u>
<u>REVENUES:</u>		
Interest	\$ 11	\$ 46
Net Assets released from restrictions	544,578	279,372
Total Revenues	<u>\$ 544,589</u>	<u>\$ 279,418</u>
TOTAL CONTRIBUTIONS AND REVENUES	<u>\$ 1,504,863</u>	<u>\$ 1,265,556</u>
<u>EXPENSES:</u>		
<u>Program Services:</u>		
Shared Ministries	\$ 125,222	\$ 123,891
Church Programs	81,609	85,775
Expenditures for designated purposes	452,997	229,928
Total Program Services	<u>\$ 659,828</u>	<u>\$ 439,594</u>
<u>Supporting Services:</u>		
Administrative	\$ 673,632	\$ 673,437
Occupancy	172,335	152,141
Total Supporting Services	<u>\$ 845,967</u>	<u>\$ 825,578</u>
Total Expenses	<u>\$ 1,505,795</u>	<u>\$ 1,265,172</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (932)</u>	<u>\$ 384</u>

The accompanying notes are an integral part of these financial statements.

St. Paul United Methodist Church
Abilene, Texas

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE, EXPENSES
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS (CONT)

EXHIBIT B
Page 2

December 31,

	<u>2011</u>	<u>2010</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>CONTRIBUTIONS AND REVENUES:</u>		
Contributions	\$ 481,515	\$ 299,225
Total Contributions	<u>\$ 481,515</u>	<u>\$ 299,225</u>
<u>REVENUES:</u>		
Interest	\$ -0-	\$ 14
Unrealized gain on investments	-0-	26,926
Total Revenues	<u>\$ -0-</u>	<u>\$ 26,940</u>
TOTAL CONTRIBUTIONS AND REVENUES	<u>\$ 481,515</u>	<u>\$ 326,165</u>
<u>EXPENSES</u>		
<u>EXPENSES:</u>		
Unrealized Loss on Investments	\$ 870	\$ -0-
Net Assets released from Restrictions	544,578	279,372
Total Expenses	<u>\$ 545,448</u>	<u>\$ 279,372</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ (63,933)</u>	<u>\$ 46,793</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
<u>CONTRIBUTIONS AND REVENUES:</u>		
Contributions	\$ -0-	\$ -0-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>
CHANGE IN NET ASSETS	\$ (64,865)	\$ 47,177
Net Assets at Beginning of Year	<u>5,393,693</u>	<u>5,346,516</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,328,828</u>	<u>\$ 5,393,693</u>

The accompanying notes are an integral part of these financial statements.

St. Paul United Methodist Church
Abilene, Texas

CONSOLIDATED STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
December 31,

EXHIBIT C

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$(64,865)	\$ 47,177
Adjustments to Reconcile Change in Net Assets with Net Cash Flow from Operating Activities:		
Increase (Decrease) in Accounts Payable	1,585	596
Unrealized Loss (Gain) on Investments	<u>870</u>	<u>(26,926)</u>
Net Cash Flow from Operating Activities	\$(62,410)	\$ 20,847
<u>Cash Flows from Investing Activities:</u>		
Withdrawal of Funds from Foundation Investments	\$ 9,699	\$ -0-
<u>Cash Flows from Financing Activities:</u>		
Net Change in Short-Term Note Payable	\$ 1,000	\$ -0-
Net Increase (Decrease) in Cash and Cash Equivalents	\$(51,711)	\$ 20,847
Cash and Cash Equivalents at Beginning of Year	<u>199,385</u>	<u>178,538</u>
Cash and Cash Equivalents at End of Year	<u>\$ 147,674</u>	<u>\$ 199,385</u>

The accompanying notes are an integral part of these financial statements.

St. Paul United Methodist Church
Abilene, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, and 2010

Page 1

NOTE 1- Summary of Significant Accounting Policies:

A summary of St. Paul United Methodist Church's ("the Church") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Accounting Method

Accounting records are maintained, and these statements have been prepared, on the modified cash basis of accounting. Contributions/pledges are not recorded until cash is received. Expenses are recorded in the year in which incurred. Capital assets are recorded when the expense is incurred and no depreciation expense is recorded.

Principles of Consolidation

The Church controls St. Paul Methodist Church Foundation, Inc., which is included in these consolidated financial statements.

Basis of Presentation

Authoritative guidance requires the Church to classify the net assets of the Church based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Unrestricted - All resources over which the governing board has discretionary control.

Temporarily Restricted - Resources that have donor imposed restrictions that permits the Church to expend the assets as specified and is satisfied either by the passage of time or by actions of the Church.

Permanently Restricted - Resources that include a donor-imposed restriction that stipulates that resources be maintained permanently, but permits the Church to use or expend part or all of the income (or other economic benefit) derived from the donated assets.

Property and Equipment

Land, building and furniture owned at June 1, 1956, were recorded on the books at their estimated value at that date. All property and equipment purchased since that date have been recorded at cost.

In the modified cash basis of accounting, depreciation of fixed assets is not recorded.

Federal Income Taxes

The Church is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

St. Paul United Methodist Church
Abilene, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, and 2010

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Cash and Cash Equivalents

For purposes of the statement of cash flows, the Church considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - St. Paul Methodist Church Foundation, Inc.:

St. Paul Methodist Church Foundation, Inc. is organized to serve any purpose or purposes of St. Paul United Methodist Church of Abilene, Texas as may be authorized by the Board of Trustees of the Church. The Foundation has a separate Board of Directors which consists of three permanent members and six members appointed by the Church at its annual Business Conference. This Board has responsibility over the custody of the funds, investing the cash and exercising power over funds accepted by the Foundation for the benefit of St. Paul United Methodist Church of Abilene. The Foundation currently has the following accounts established:

	2011	2010
Bedford Furr Memorial Income	\$ 21,652	\$ 23,959
Jayne Carnes Memorial Income	12,775	12,622
Samuel J. Carroll Memorial Income	1,219	1,283
Raymond Thomason Memorial Income	82,350	79,822
Roger Valkenaar Memorial Income	57,054	55,302
O.P. Clark Memorial Income	40,862	44,812
Pauline Norwood Memorial Income	12,794	12,401
Charles E. Erwin Honorary Income	3,291	3,463
Foundation General Fund	228,184	235,281
Gypsy Wylie Memorial Income	4,610	4,852
Pauline Caffey Memorial Income	3,125	3,289
James Young Memorial Income	34,685	36,500
Total Net Assets of St. Paul Methodist Church Foundation	<u>\$ 502,601</u>	<u>\$ 513,586</u>

NOTE 3 - Restrictions on Assets:

The temporarily restricted net assets of the Church consist of funds designated by the donor for specific use in the various programs of the Church in accordance with the Church's operating purposes. Such funds remain temporarily restricted until they have been expended for the purpose designated by the donor. At December 31, 2011, and 2010, the Church had \$371,007 and \$434,940, respectively, of these temporarily restricted funds remaining. These amounts are included in temporarily restricted cash and investments, and in temporarily restricted net assets.

St. Paul United Methodist Church
Abilene, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, and 2010

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Temporarily restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Bedford Furr Memorial Income - Budget	\$ 21,652	\$ 23,959
Jayne Carnes Memorial Income -		
Help Fund/Communion	2,775	2,622
Samuel J. Carroll Memorial Income -		
Boy Scout Troop	219	283
Raymond Thomason Memorial Income -		
Special	82,350	79,822
Roger Valkenaar Memorial Income -		
Special	21,564	19,812
O.P. Clark Memorial Income - Lectures	15,876	19,826
Pauline Norwood Memorial Income -		
Television Ministry	2,794	2,401
Charles E. Erwin Honorary Income -		
Special	3,291	3,463
James Young Memorial Income - Special	9,685	11,500
Gypsy Wylie Memorial - Special	4,610	4,852
Pauline Caffey Memorial - Music	3,125	3,289
General Endowment Fund	65,785	72,882
CCER Grant	1,250	21,000
Children's Special	6,197	7,797
Youth Special	3,897	8,623
Choir and Handbell Choir Funds	5,307	6,480
Memorials	2,983	10,733
Music Ministry	6,702	41,079
Sunday School Class Funds	15,900	15,939
Building and Capital	45,498	349
Given for Next Year	20,255	46,900
Other Funds	29,292	31,329
Total Temporarily Restricted Net		
Assets	<u>\$ 371,007</u>	<u>\$ 434,940</u>

Permanently restricted net assets consist of donations to permanently endowed funds. The income earned on the assets are temporarily restricted for a specific purpose or time constraint while the corpus of the gifts is to remain intact in perpetuity. At December 31, 2011, and 2010, the Church had \$268,875 of permanently restricted funds remaining. These amounts are included in permanently restricted cash and investments, and in permanently restricted net assets.

Permanently restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Jayne Carnes Memorial Income	\$ 10,000	\$ 10,000
Samuel J. Carroll Memorial Income	1,000	1,000
Roger Valkenaar Memorial Income	35,490	35,490
O.P. Clark Memorial Income	24,986	24,986
Pauline Norwood Memorial Income	10,000	10,000
Foundation General Fund	162,399	162,399
James Young Memorial Income	25,000	25,000
Total Permanently Restricted Net		
Assets	<u>\$ 268,875</u>	<u>\$ 268,875</u>

St. Paul United Methodist Church
Abilene, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, and 2010

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NOTE 4 - Property, plant and equipment:

As of December 31, property, plant, and equipment consisted of the following:

	2011	2010
Building and Land	\$ 4,021,898	\$ 4,021,898
Furniture and Equipment	497,512	497,512
Parsonage and Furnishings	82,605	82,605
Automotive Equipment	81,393	81,393
Total	<u>\$ 4,683,408</u>	<u>\$ 4,683,408</u>

NOTE 5 - Employee Pension Plan:

A pension plan for lay employees was established with the Board of Pension and Health Benefits ("BPBH") of the United Methodist Church. The plan, effective October 1, 1998, requires each participating employee to contribute 2% of their compensation base. The Church matches the employee contributions and contributes another 2%. The Church contributed \$4,359 and \$4,544 to the plan in 2011 and 2010, respectively. The plan covers all full-time employees with two years' service.

The Church also participates in retirement plans for the ministers through the Board of Pension and Health Benefits. The plan requires contributions set by the BPBH based on annual salary, and totaled \$25,455 and \$24,456 for 2011 and 2010, respectively.

NOTE 6 - Concentrations of Credit Risk:

The Church maintains cash balances primarily at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$150,000. At various times during the year, the Church may have balances at the financial institution in excess of insured amounts.

NOTE 7 - Endowment:

The Church endowment fund was established for a variety of purposes. Its endowment is donor-restricted. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The investments are held at the Texas Methodist Foundation and are invested in church loans, equity funds, and income funds.

Interpretation of Relevant Law

The Board of Trustees of the Church has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds only in cases of explicit donor stipulations. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

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In accordance with UPMIFA, the Church considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investment
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 233,726	\$ 268,875	\$ 502,601
Total Funds	\$ -0-	\$ 233,726	\$ 268,875	\$ 502,601

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 244,711	\$ 268,875	\$ 513,586
Investment return:				
Investment Income	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Net depreciation (realized and unrealized)	-0-	(870)	-0-	(870)
Total investment return	\$ -0-	\$ (870)	\$ -0-	\$ (870)
Other changes:				
Donations	\$ -0-	\$ 1,175	\$ -0-	\$ 1,175
Withdrawn for Designated Purpose	-0-	(11,290)	-0-	(11,290)
Endowment net assets, end of year	\$ -0-	\$ 233,726	\$ 268,875	\$ 502,601

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 244,711	\$ 268,875	\$ 513,586
Total Funds	\$ -0-	\$ 244,711	\$ 268,875	\$ 513,586

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Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 237,441	\$ 268,875	\$ 506,316
Investment return:				
Investment Income	\$ -0-	\$ 14	\$ -0-	\$ 14
Net depreciation (realized and unrealized)	-0-	26,926	-0-	26,926
Total investment return	\$ -0-	\$ 26,940	\$ -0-	\$ 26,940
Other changes:				
Donations	\$ -0-	\$ 1,175	\$ -0-	\$ 1,175
Withdrawn for Designated Purpose	-0-	(20,845)	-0-	(20,845)
Endowment net assets, end of year	\$ -0-	\$ 244,711	\$ 268,875	\$ 513,586

Description of Amounts Classified as Temporarily Restricted Net Assets (Endowment Only) as of December 31:

	<u>2011</u>	<u>2010</u>
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	\$ 65,785	\$ 72,882
With purpose restrictions	167,941	171,829
Total endowment funds classified as temporarily restricted net assets	\$ 233,726	\$ 244,711

NOTE 8 - Fair Value Disclosures:

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants